

**UNREGULATED UTILITY
POWER COST EQUALIZATION MEMORANDUM**

Date: December 15, 2022

Filing Date Due: April 30, 2022

File No.: PC25-0422

Date Filed: May 24, 2022

Name of Utility: Ungusraq Power Company Cert. No. 375

- | | |
|---|--|
| <input checked="" type="checkbox"/> Annual Update
<input type="checkbox"/> Fuel Cost Update
<input type="checkbox"/> Base Rate Change
<input type="checkbox"/> Other _____ | <input type="checkbox"/> COPA Review
<input type="checkbox"/> Non-Fuel Cost Change
<input type="checkbox"/> kWh Sales Change |
|---|--|

STAFF RECOMMENDATION: Approve updated Permanent PCE amount (see attached memo)

PCE AMOUNT SUMMARY	Previously Approved	Staff Recommended
PCE AMOUNT (In Cents/kWh)	<u>Date Approved:</u> September 15, 2022	
All	60.42¢	60.42¢

Signed: Brenda Cox *Brenda Cox* Utility Financial Analyst

Commission decision re. this recommendation:

	Date (if different from 12/15/22)	I Concur	I Do Not Concur	I Will Write A Dissenting Statement *
Kurber	_____	<u><i>Kurber</i></u>	_____	_____
Doyle	_____	<u><i>BD</i></u> BD	_____	_____
Pickett	_____	<u><i>BP</i></u> BP	_____	_____
Sullivan	_____	<u><i>DS</i></u> DS	_____	_____
Wilson	_____	<u><i>JW</i></u> JW	_____	_____

Special Instructions to Staff:

* If this column is initialed, Staff will contact the Commissioner for the statement, otherwise, dissent will simply be noted at the close of the By Direction Letter or Order.

Memorandum

TO: Keith Kurber II, Chairman
Robert A. Doyle
Robert M. Pickett
Danial A. Sullivan
Janis W. Wilson

DATE: December 15, 2022

FROM: Brenda Cox
Utility Financial Analyst

RE: Ungusraq Power Company
PC25-0422

Recommendations

1. Updated PCE amounts should be effective for billings rendered on or after December 16, 2022.
2. Approval should be: ☒ Permanent ☐ Interim
3. Standard reminder language for notice specifications, efficiency, rate changes, and fuel cost changes should be included in the By Direction Letter to the utility.

Background

On May 24, 2022, Ungusraq Power Company (UPC) filed its 2021 annual Power Cost Equalization (PCE) report (annual report), for the test year ending December 31, 2021 (FY21). Included with the PCE annual report were a Profit & Loss Detail report (P&L) and an Electric Utility Payroll Allocation. UPC filed two supplements on November 1, 2022 and one on November 23, 2022.¹ Staff's contact for this filing was Ms. Grace Oomittuk, consultant and Bijal Modi, Yukon Accounting & Consulting.

Summary

After Staff proposed adjustments, UPC's total costs per kilowatt-hour (kWh) have decreased by 0.48 cents (¢) from prior eligible costs of 84.35¢/kWh to 83.87¢/kWh (FY21). UPC's reported fuel efficiency has increased from 10.50kWh/gallon (FY14) to 10.53 kWh/gallon (FY21). Reported line loss increased from 4.81% (FY14) to 8.62% (FY21). Staff's detailed analysis of this filing follows:

¹ See 2021 Supplement to PCE Annual Report (TR2204357) from Yukon Accounting, (TR2204345) from Ms. Oomittuk, and Supplement filed November 23, 2022.

Analysis

Non-Fuel Costs

Total reported non-fuel costs increased by \$34,744 from \$134,968 (FY14) to \$169,712 (FY21). Staff verified the Income Statement with the P&L and Electric Utility Payroll Allocation. Staff reviewed UPC's non-fuel costs by category noting the following (see Schedule BKC-1):

Personnel Expenses decreased \$6,283 from \$95,496 (FY14) to \$89,213 (FY21). Staff verified the Electric Utility Payroll Allocation with the Personnel Expenses reported on the Income Statement page of the annual report and recommends no adjustments.

Operating Expenses increased \$15,255 from \$19,682 (FY14) to \$34,937 (FY21). Staff notes the main driver of expense increase was related to Generator Repairs / Maintenance. Staff asked UPC about the Generator Repairs/Maintenance expenses, and whether the expenses were for general repairs or an overhaul. Bijal Modi advised Staff the generator repairs were for general repairs.² Staff recommends no adjustments.

General & Administrative Expenses increased \$31,802 from \$12,503 (FY14) to \$44,305 (FY21). Staff noted on the P&L reported under Bank Service Charges three entries to Wells Fargo, in the amount of \$35 each, with a description of Overdraft fee. Staff asked Ms. Oomittuk if the overdraft charges were for checks the utility had written or payments from a customer. Ms. Oomittuk advised the charges were for checks customers had written.³ Bijal Modi advised Staff the overdraft charges were for NSF checks UPC had written.⁴ In either case the NSF fees are not an allowable cost to UPC. If UPC wrote an NSF check it is an avoidable cost.⁵ If a customer payment was an NSF check, the utility should pass the fee on to the customer. Staff recommends decreasing General & Administrative Expenses by \$105.

Staff also noted entries to Fdgl Lease Payment under Bank Service Charges and asked UPC to explain what these payments were for. UPC advised Staff the charges were for the lease of the credit card machine, and UPC gets charged for each credit card swipe.⁶ Staff recommends no adjustment to this charge.

Staff noted two entries for RCA fees reported on the P&L reported for invoice 25-0415L, one on April 13, 2021 and the other on November 17, 2021. Staff asked UPC to provide the

² See Supplement filed November 1, 2022 (TR2204357).

³ See Supplement filed November 1, 2022 (TR2204345).

⁴ See Supplement filed November 1, 2022 (TR2204357).

⁵ See 3 AAC 52.670(2) make reasonable efforts to minimize administrative, operating, and overhead costs...

⁶ See Supplement filed November 1, 2022 (TR2204345).

canceled check copy for the April 13, 2021, check because it is not recorded in the Commissions Access database as being applied to the invoice. UPC did not provide a copy of the check.⁷ Staff recommends decreasing RCA fees by \$39.

Staff asked UPC if it had any insurance costs, and UPC did not provide any information regarding Insurance costs.⁸

Staff asked UPC for a copy of the January 31, 2021, Yukon Accounting Invoice in the amount of \$7,940.57. UPC filed a copy of the invoice which Staff reviewed and noted some charges were for work performed for the year 2020, such as AR for 2020, processing payroll for 1/15/2020, 2020 bank reconciliations, and uploading UPC's bank statements.⁹ Staff recommends disallowing \$2,486, because the work is for outside the 2021 test year.¹⁰

Based on the above, Staff recommends **Adjustment 1 (Appendix 2)** to decrease General and Administrative expense by \$2,760 (\$105 + \$39 + \$2,486).

Depreciation Expense decreased \$1,864 from \$3,121 (FY14) to \$1,257 (FY21). Staff notes UPC included a Honda ATV on its Depreciation Schedule that had already been fully depreciated. Additionally, it appears there was a calculation error in the 2021 depreciation expense for the Toyo Stove Laser 73. Staff calculated Depreciation expense to be \$1,127. Staff recommends **Adjustment 3 (Appendix 2)** to decrease reported Depreciation expense of \$1,257 by \$130 to equal \$1,127 (see Schedule BKC-2).

Interest Expense decreased from \$4,166 (FY14) to \$0 (FY21). Staff recommends no adjustments.

Fuel Costs

UPC submitted its most recent fuel cost update on August 18, 2022. This report reflected a new fuel price of \$5.1605/gallon for 60,016 gallons. This data is in the calculation of the weighted average fuel price of \$5.1076/gallon¹¹ (**see Appendix 2**).

Fuel Efficiency

Staff notes UPC's previous minimum efficiency standard to meet was 10.5 kWh/gal because its diesel generation was between 100,000 – 499,999 kWhs annually.¹² Staff

⁷ As of November 17, 2022, UPC did not provide a copy of the canceled check.

⁸ See both Supplements filed November 1, 2022.

⁹ See Supplement filed November 23, 2022.

¹⁰ Costs for 2020 work from the Invoice include: 1/5/21 \$569.50, 1/22/21 \$684, 1/11/21 \$59.50, 1/13/21 \$200, 1/14/21 \$100, 1/19/21 \$621, and 1/20/21 \$252.

¹¹ Approved on September 15, 2022, in Letter Order L2200309.

¹² See 3 AAC 52.620(c)(1)(B).

notes in the current annual report UPC's generation was between 500,000 – 999,999 kWhs, and it now falls under 3 AAC 52.620(c)(1)(C) which requires a minimum efficiency standard of 11.5 kilowatt-hours generated per gallon of diesel fuel consumed. In the current test year, UPC's unadjusted efficiency measurement of 10.53 did not meet the established minimum efficiency standard. 3 AAC 52.610(g)(1) states that total fuel cost is calculated by multiplying the price of fuel per gallon times the lesser of the actual number of gallons consumed or the number of gallons that would have been consumed had the utility achieved the above-mentioned efficiency standard. Accordingly, Staff recommends **Adjustment 4 (Appendix 2)** to reduce the 52,891 reported gallons consumed by 4,446 to equal 48,445 gallons.

Electric Utility Data Form

Staff notes UPC did not report kWh generated for three months in 2021 (April, August, and October). Additionally, UPC did not report four months of Station Service (March, April, August, and October). Staff asked UPC to explain the missing meter readings. UPC advised the power plant meters don't work on the Newtok side. Additionally, there are non-working meters that feed three buildings in Mertarvik.¹³ Staff noted seven months where gallons consumed has the same amount reported – 2,670. Which appears to be unlikely because the number of kWh's generated each month are different.¹⁴ Staff reminds UPC per 3 AAC 52.670(1) A participating electric utility shall (1) install and maintain adequate meters to measure kilowatt-hours of generation, fuel consumption, and energy consumption by all rate payers as prescribed by 3 AAC 107.200.

¹³ See Supplement filed November 1, 2022 (TR2204345).

¹⁴ January - April 2021, August 2021, October 2021, and November 2021.

UNGUSRAQ POWER COMPANY

POWER COST EQUALIZATION CALCULATION
FOR TEST PERIOD ENDING DECEMBER 31, 2021
Annual Update

APPENDIX 1

	PC25-0415P		PC25-0422
	Prior Commission Approval	Utility Request	Staff Recommended
A. Total kWh Generated	443,881	556,880	556,880
B. Total kWh Sold (Appendix 2)	416,087	494,074	494,074
C. Total Non-Fuel Costs (Appendix 2)	\$134,968	\$169,712	\$166,952
D. Non-Fuel Cost/kWh (C / B)	\$0.3244	\$0.3435	\$0.3379
E. Total Fuel Costs (Appendix 2)	\$216,022	\$270,147	\$247,438
F. Fuel Costs/kWh (E / B)	\$0.5192	\$0.5468	\$0.5008
G. Eligible Costs/kWh (D + F)	\$0.8435	\$0.8903	\$0.8387
H. Eligible Cost/kWh (G) less base rate in effect	\$0.6477	\$0.6945	\$0.6429
I. Lesser of (H) or 80.42 cents	\$0.6477	\$0.6945	\$0.6429
J. Average Class Rates (Appendix 3)			
ALL	\$0.6042	\$0.6042	\$0.6042
Class Power Cost Equalization Per kWh Payable			
K. Lesser of: (I) x 95% or (J)			
ALL	\$0.6042	\$0.6042	\$0.6042
L. Funding Level in Effect	100%	100%	100%
ALL	\$0.6042	\$0.6042	\$0.6042

PC25-0422
Appendix 1

UNGUSRAQ POWER COMPANY

APPENDIX 2

SCHEDULE OF ELIGIBLE POWER COSTS, SALES, AND EFFICIENCY
FOR TEST PERIOD ENDING DECEMBER 31, 2021

Annual Update

		PC25-0415P		PC25-0422	
		Prior Commission Approval	Per Utility	Staff Adjustments	Per Staff
Non-Fuel Costs:					
A. Personnel Costs		95,496	89,213		89,213
B. Operating Expenses		19,682	34,937		34,937
C. General & Administrative		12,503	44,305	adj.#1 (2,630)	41,675
D. Depreciation/Amortization		3,121	1,257	adj.#2 (130)	1,127
E. Interest Expense		4,166	0	0	0
F. Other (Describe)		0	0	0	0
G. Total Non-Fuel Costs		\$134,968	\$169,712	(2,760)	\$166,952
Fuel Costs:					
H. Gallons Consumed for Electric Generation		42,294	52,891	adj.#3 (4,446)	48,445
I. Price of Fuel:(per gal) Weighted Average		5.1076	5.1076	0	5.1076
J. Total Cost of Fuel (H x I)		\$216,022	\$270,147		\$247,438
K. kWh Generated		443,881	556,880		556,880
L. kWh Sales		416,087	494,074		494,074
M. kWh Station Service		6,430	14,810		14,810
N. Efficiency (K / H)	≥	Standard 11.50	10.50	10.53	0.97
O. Line Loss	≤	12%	4.81%	8.62%	0
((kWh Generated -(kWh Sold + Station Service))/kWh Generated					

PC25-0422

Appendix 2

CALCULATION OF AVERAGE CLASS RATE PER kWh

Rate Schedule: **All**

(1) Block (by kWh)	(2) Rate (\$/kWh)	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - \$ 0.1958
0 to 750	0.8000		0.8000	600.0000		
751 to						
to						
to						
Max 750			Total	600.0000	0.8000	0.6042

Rate Schedule:

(1) Block (by kWh)	(2) Rate (\$/kWh)	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - \$ 0.1958
0 to						
to						
to						
to						
Max 750			Total			

Rate Schedule:

(1) Block (by kWh)	(2) Rate (\$/kWh)	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - \$ 0.1958
0 to						
to						
to						
to						
Max 750			Total			

Rate Schedule:

(1) Block (by kWh)	(2) Rate (\$/kWh)	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - \$ 0.1958
0 to						
to						
to						
to						
Max 750			Total			

UNGUSRAQ POWER COMPANY
TREND ANALYSIS

Test Year

Personnel Costs
Total Compensation
Employer Paid Taxes
Workers' Comp
Total Personnel Costs

Operating Expenses

Generator Oil
Generator Filters
Generator Repairs/Maintenance
Tools
Equipment Rental
Other
TOTAL

General and Administrative

Outside Professional Services
Insurance
Office Supplies
Postage
Office Rent
Travel
Training
Bad Debt Expense
RCA Fees
Other
TOTAL

Interest

Depreciation

TOTAL NON-FUEL COSTS

kWh Generated
kWh Sold
Gallons Consumed
Station Service
Efficiency
Line Loss

	2014		2021			
	Amended Expenses	Utility Filing	Variance		Staff Adjustments	Amended Expenses
			\$	%		
	85,583	80,990	(4,593)	(5.37%)		80,990
	9,913	8,223	(1,690)	(17.05%)		8,223
	0	0	0	(100.00%)		0
	95,496	89,213	(6,283)	(6.58%)	0	89,213
	594	1,687	1,093	184.01%		1,687
	1,927	1,176	(751)	(38.97%)		1,176
	11,164	25,724	14,560	130.43%		25,724
	5,097	0	(5,097)	(100.00%)		0
	0	6,350	6,350	100.00%		6,350
	900	0	(900)	(100.00%)		0
	19,682	34,937	15,255	77.51%	0	34,937
	775	34,085	33,310	4298.06%	(2,486)	31,599
	3,260	0	(3,260)	(100.00%)		0
	5,204	3,682	(1,522)	(29.25%)		3,682
	196	0	(196)	(100.00%)		0
	0	0	0	(100.00%)		0
	0	0	0	(100.00%)		0
	0	0	0	(100.00%)		0
	0	2,285	2,285	100.00%	(105)	2,180
	0	117	117	100.00%	(39)	78
	3,068	4,136	1,068	34.80%		4,136
	12,503	44,305	31,802	254.35%	(2,630)	41,675
	4,166	0	(4,166)	(100.00%)	0	0
	3,121	1,257	(1,864)	(59.72%)	(130)	1,127
	134,968	169,712	34,744	25.74%	(2,760)	166,952
	443,881	556,880	112,999	25.46%	0	556,880
	416,087	494,074	77,987	18.74%	0	494,074
	42,294	52,891	10,597	25.06%	(4,446)	48,445
	6,430	14,810	8,380	130.33%		14,810
	10.50	10.53	0.03	0.32%	0.97	11.50
	4.81%	8.62%	3.81%	79.07%	0	8.62%

UNGUSRAQ POWER COMPANY

DEPRECIATION SCHEDULE

FOR TEST YEAR ENDING:

December 31, 2021

Schedule BKC-2

<u>Asset</u>	<u>In-service Year</u>	<u>Cost</u>	<u>Life</u>	<u>Accum Dep 12/31/20</u>	<u>Book Value 12/31/2020</u>	<u>2021 Depreciation</u>	<u>Accum Dep 12/31/2021</u>	<u>Book Value 12/31/2021</u>
Office Building	1993	16,000	30	14,924	1,076	533	15,457	543
Garage	1998	2,500	30	1,909	591	83	1,992	508
Roof Panels (freight & labor)	1999	1,157	30	858	299	39	897	261
Guide Wire Repairs	1999	4,158	25	3,652	506	166	3,818	340
Meters	2003	760	20	418	342	38	456	304
Toyo Stove Laser 73	2014	1,639	10	1,148	491	164	1,312	327
Toyo Stove Laser 56	2016	1,028	10	515	513	103	618	410
TOTAL		27,242		23,424	3,818	1,127	24,551	2,692

Total Depreciation Expense

1,127

Depreciation per Utility

1,257

Staff Recommended Adjustment

(130)

Signature: Bob Doyle
Bob Doyle (Dec 15, 2022 09:13 AKST)

Email: bob.doyle@alaska.gov

Signature: Robert M. Pickett

Email: bob.pickett@alaska.gov

Signature: Daniel Sullivan
Daniel Sullivan (Dec 15, 2022 11:46 AKST)

Email: daniel.sullivan@alaska.gov

Signature: Janis W. Wilson
Janis W. Wilson (Dec 15, 2022 13:50 AKST)

Email: janis.wilson@alaska.gov

Signature: Keith Kurber II
Keith Kurber II (Dec 15, 2022 08:58 AKST)

Email: keith.kurber@alaska.gov